

FIRST ADDENDUM TO MEMORANDUM OF AGREEMENT HUNTERS POINT CONVEYANCE IMPLEMENTATION PLAN

WHEREAS, on November 2, 2000, the United States of America, acting by and through the Department of the Navy ("Government") and the City and County of San Francisco (City") entered into a Memorandum of Agreement ("MOA") (a copy of which is attached hereto as Appendix A) generally setting forth the terms and conditions to be included in a binding and comprehensive conveyance agreement (the "Conveyance Agreement") regarding the remediation and conveyance of the Hunters Point Naval Shipyard (the "Shipyard"); and

WHEREAS, the Government and the City seek to expedite the remediation and conveyance of Parcels at the Shipyard under the MOA by, among other things, forging a collaborative partnership among the Government, the City and Community, the City's selected developer for the Shipyard, Lennar BVHP ("Lennar"), and other local reuse organizations designated by the City.

Now therefore, in light of the foregoing the parties agree as follows:

1. Partnership Approach. The Conveyance Agreement shall set forth the terms of a collaborative partnership among the Government, the City and Community, Lennar, and other local reuse organizations designated by the City that is designed to expedite the cleanup and conveyance of the Shipyard. Under that new partnership, the parties shall:

- Share information and communicate key goals and objectives early and often;
- Continuously explore opportunities for integrating development with cleanup;
- Jointly develop strategies for characterizing the site and resolving remediation issues;
- Continuously explore conveyance and contracting mechanisms that expedite cleanup and conveyance and meet the parties goals and objectives; and
- Jointly present characterization, remediation, contracting and conveyance plans to regulators and community groups, as appropriate.

Notwithstanding the foregoing, the Government shall retain its full and sole discretion to select final remedies for cleanup at the Shipyard and to carry out its responsibilities under the FFA. Neither the City nor Lennar shall seek to become parties to the FFA. Rather, the City and Community, Lennar and other local reuse organizations designated by the City, as future owners of the Shipyard, will assist the Government, as the current owner of the Shipyard, in finding the most effective and efficient solutions to environmental remediation and conveyance issues.

The parties would utilize this new partnership approach to expedite the conveyance of each of the Parcels of the Shipyard as set forth below.

2. Conveyance of Parcel A. Immediately upon execution of the Conveyance Agreement, the Government shall transfer to the City and the City shall accept fee title to Parcel A.

FIRST ADDENDUM TO MEMORANDUM OF AGREEMENT HUNTERS POINT CONVEYANCE IMPLEMENTATION PLAN

Pending execution of the Conveyance Agreement, the Parties will identify and resolve any issues that must be addressed prior to the conveyance of Parcel A, including the following:

- Ensure that all environmental issues are adequately addressed in the FOST
- Resolve remaining non-environmental transfer issues (state of title, form of deed, utilities, etc.)
- Ensure that Parcel E Landfill and associated adjacency issues are adequately addressed as set forth in Section 5 below.

3. Conveyance of Parcel B. Pursuant to the Conveyance Agreement, the Parties will (utilizing this partnership) determine how to best expedite the transfer of Parcel B, including the following:

- Distinguish sub-portions of Parcel B which may be available for transfer by FOST quickly (i.e., within the current FFA schedule) (B-1) from those portions of Parcel B, such as IR 7, IR 26 and IR 10, which may take longer to convey (B-2).
- Resolve parcel-wide barriers to conveyance such as manganese.
- Agree on form of Parcel B Deed and Land Use Covenant (LUC), and ensure consistency between the City's soil and groundwater management plan and the requirements set forth in the Deed and the LUC.
- Negotiate Early Transfer with ESCA for Parcel B-2. If Early Transfer negotiations fail, proceed with alternative conveyance mechanism per Section 4(b), below.

4. Conveyance of Parcels C, D, E and F. In addition to the conveyances of Parcels A and B described above, the Conveyance Agreement will set forth a clear process and commitments for the effective and efficient cleanup and transfer of the remainder of the Shipyard. That process is based on the following principles

- Not all portions of the Shipyard should be conveyed by the same conveyance mechanism. By customizing different mechanisms to different parcels (or sub-parcels), the parties may be able to accelerate the conveyance of a substantial number of acres at the Shipyard.
- Not all portions of the Shipyard should be conveyed at the same time. Uncertainty regarding costs and risk has been a major impediment to conveyance at the Shipyard. As the risk of uncertainty is reduced through the CERCLA process, more effective conveyance mechanisms can be identified.
- The parties shall lay a foundation in the Conveyance Agreement for conveying future parcels as quickly and effectively as possible. If the Parties work together collaboratively on matters related to characterization, remediation, contracting and conveyance from the onset, as contemplated by the partnership approach, they will be more likely to agree on issues like costs and risk assessments. In turn, this shared perspective should enhance the parties' ability to agree on

FIRST ADDENDUM TO MEMORANDUM OF AGREEMENT HUNTERS POINT CONVEYANCE IMPLEMENTATION PLAN

suitable conveyance mechanisms at certain logical points along the CERCLA process, (i.e., at FS, ROD, etc.).

- New opportunities for integrated development will continue to arise after the Conveyance Agreement is executed, particularly if the parties succeed in sharing information, building consensus and reducing uncertainty. By focusing on effective processes for reaching consensus on Parcels C, D, E and F at the appropriate time instead of trying to lock in now a specific conveyance mechanism, the parties increase opportunities for integrated development.

To provide the parties reasonable assurances that cleanup and conveyance will occur in a timely fashion, the parties would further agree as follows:

- a) If, as to any parcel or sub-parcel, the parties have not agreed on a conveyance mechanism by the time a draft ROD is issued for such parcel or sub-parcel, the Government and the City shall, no later than the issuance of such draft ROD, commence negotiations for an Early Transfer with an ESCA of such parcel.
- b) If within 90 days following the commencement of ESCA negotiations, the parties have not agreed to the key terms of such an Early Transfer (including price to complete cleanup of known contaminants and the definition of "unknowns" for purposes of allocating future cleanup responsibility), the Government will (i) award and obligate funds for a contract or contracts that requires the Contractor, to the extent applicable under the MOA, to achieve the Property Condition Standards for Parcels C and D, or such other standards as the parties shall mutually agree pursuant to the specific RODs, and (ii) subject to annual appropriations, the Government shall award such contract(s) so long as the Government's Contracting Officer determines that the proposal meets the requirements of the Federal Acquisition Regulations for award, including a determination that the price for such Remediation Contract(s) is "fair and reasonable."

5. Characterization of Parcel E. The parties shall utilize this partnership to agree upon an approach for characterizing the types and extent of contamination in the Parcel E landfill as required by CERCLA, and analyze data to satisfactorily address community concerns about what is in the landfill and concerns regarding potential environmental exposures before the final remedy has been implemented. Parties must also address community concerns about the impacts of the future development of remediated property adjacent to unremediated areas.

6. Availability of Funds. The Government's obligations under this Agreement are subject to the availability of funds appropriated for such purposes. Nothing in this agreement shall be interpreted to require obligations or payments by the Government which are in violation of the Anti-Deficiency Act (31 U.S.C. Section 1341).

**FIRST ADDENDUM TO MEMORANDUM OF AGREEMENT
HUNTERS POINT CONVEYANCE IMPLEMENTATION PLAN**

7. City Acceptance of Property. Following tender by the Government of title to the Property meeting the Property Conditions, or as otherwise agreed by the City, the City shall, within 30 days, indicate whether it will accept title to such Property. If within 30 days the City does not affirmatively indicate its willingness to accept the Property, the Government may proceed as it deems appropriate under applicable law.

8. Relationship of Addendum to MOA. Except as otherwise defined in this Addendum, initially capitalized terms herein shall have the meaning given to them in the MOA and except as specifically amended hereby, the terms and conditions of the MOA shall continue to govern the parties negotiations.

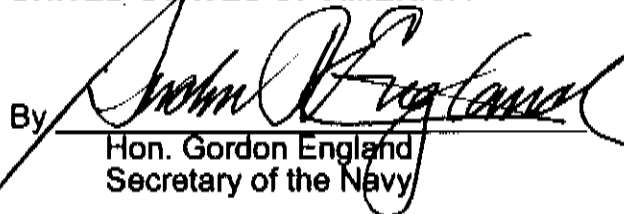
9. Schedule. The parties agree to complete the actions in the manner set forth in the Schedule attached as Appendix B.

10. Appendices. The following documents are attached hereto as Appendices to this First Addendum to the MOA and made a part thereof as Follows:

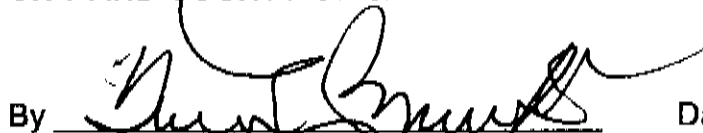
Appendix A: Memorandum of Agreement dated November 2, 2000
Appendix B: Schedule of Actions

APPROVED

UNITED STATES OF AMERICA

By  Date 23 Jan 02
Hon. Gordon England
Secretary of the Navy

CITY AND COUNTY OF SAN FRANCISCO

By  Date 1-23-2002
Hon. Willie Brown
Mayor of the City of San Francisco

HUNTERS POINT NAVAL SHIPYARD MEMORANDUM OF AGREEMENT

Transferor: The United States of America, acting by and through the Department of the Navy ("Government").

Transferee: The City and County of San Francisco, California ("City"), or, at the City's election, the San Francisco Redevelopment Agency or another local reuse organization designated by the City.

Property Description: Approximately 936.37 acres of Real Property known as the former Hunters Point Naval Shipyard, San Francisco, California, consisting of six (6) parcels designated as Parcels A, B, C, D, E and F, as described more fully in Exhibit A ("Real Property"), and certain related personal property without warranty to be identified ("Personal Property") (together the "Property").

Legal Authority: Section 2824(a) of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510), as amended by Section 2834 of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160).

Consideration: The consideration for the Government's conveyance of the Property to the City will be the payment of \$1 per parcel by the City to the Government.

Documentation: The City and the Government agree that this Memorandum Of Agreement ("MOA") sets forth generally the terms and conditions to be included in a binding Conveyance Agreement ("Conveyance Agreement") reflecting mutual assent and sufficient consideration for conveyance in accordance with Section 2834 of Public Law 103 - 160. The Conveyance Agreement shall include, among other things; (i) a quitclaim deed for Parcel A; (ii) model quitclaim deeds and related conveyance documents for Parcels B through F; and (iii) a Bill of Sale for the conveyance of identified Personal Property from the Government to the City. The Conveyance Agreement shall be subject to all applicable Governmental approvals after the completion of all required environmental reviews under NEPA and CEQA.

To the extent the Parties agree, they may negotiate and prepare, among other things, a Retrocession Agreement, a Lease in Furtherance of Conveyance (LIFOC), other mutually acceptable transitional agreement(s) for protection and maintenance and caretaker support of property not conveyed by deed, and a cooperative agreement or agreements addressing the sharing of burdens and costs of protection and maintenance of the Property.

HUNTERS POINT NAVAL SHIPYARD MEMORANDUM OF AGREEMENT

Should a Retrocession Agreement be reached, the Government and the City agree to promptly initiate and cooperate in proceedings before the State Lands Commission to achieve State acceptance of retrocession of legislative jurisdiction to concurrent jurisdiction for the entire area of the Property not conveyed to the City by deed.

Minimum Property Conditions Acceptable to the City ("Property Conditions"):

The following Property Conditions are acceptable to the City and the Government for conveyance of the Property and will allow full implementation of the City's reuse plan:

Parcel B: The Government shall convey Parcel B to the City in the following condition:

(1) Remediation of Parcel B soil and groundwater in accordance with the current approved Record Of Decision ("ROD") and any approved Explanation of Significant Differences and an approved petroleum Corrective Action Plan.

Parcels C and D: The Government will use its best good faith efforts to convey Parcels C and D to the City in the following condition while ensuring compliance with the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), 10 U.S.C. 2701, applicable Federal and state laws, and the remedy selection criteria in 40 CFR 300.430(e)(9)(iii):

(1) Parcel C and D soil remediation shall achieve (i) a residential excess lifetime cancer risk (ELCR) of 1×10^{-6} and a Hazard Index (HI) of equal to or less than 1 for non-cancer endpoints for residential use in the mixed use and research and development areas of the Shipyard property; and (ii) an industrial ECLR of 1×10^{-6} and an HI of equal to or less than 1 for industrial use in the industrial, maritime and educational/cultural areas of the Shipyard property in accordance with the City's Redevelopment Plan for the Real Property, dated July 14, 1997. Soil remedies shall result in chemical concentrations in soil meeting the standard established above to a depth of 10 feet below ground surface.

(2) Standards for groundwater remediation shall meet regulatory requirements.

**HUNTERS POINT NAVAL SHIPYARD
MEMORANDUM OF AGREEMENT**

(3) Groundwater conditions and remediation systems shall not preclude the City's ability to implement the Redevelopment Plan.

For purposes herein, the Government's "best good faith efforts" shall include the following, all as set forth in the "Request for Proposals/Remediation Contract" section of this MOA below:

- (1) The issuance of an RFP for Parcels C and D, which includes a requirement that the contractor achieve the Property Conditions for Parcels C and D; and
- (2) The execution of a fixed price remediation contract for Parcels C and D, which includes a requirement that the contractor achieve the Property Conditions for Parcels C and D in an amount not to exceed \$120 million, provided the Contracting Officer determines that the proposal meets the requirements of the Federal Acquisition Regulations for award, including a determination that the price is "fair and reasonable".

Parcel E and F: The Parties recognize that further site characterization is required for Parcels E and F in order to determine the appropriate remediation. In any event, the remedies selected for Parcels E and F shall meet applicable Federal and State of California regulatory requirements, including the nine criteria in 40 CFR 300.430(e)(9)(iii), one of which is community acceptance.

Conveyance Schedule:

The schedule for conveyance of Real Property is dependent upon remediation. Remediation of parcels will be completed based on schedules set forth in the Federal Facilities Agreement (FFA). The FFA establishes the terms and conditions for regulator-approved changes to schedules and penalties for failure to meet schedules.

The Government shall use its best efforts to convey the Property to the City, as set forth above, on a schedule based on the current FFA Schedule ("Conveyance Schedule") as follows:

Parcel B:	9/17/01
Parcel D	3/11/02
Parcel C	10/11/02
Parcel E	9/2/04
Parcel F	9/2/04

At each Closing, the Property shall be conveyed by one or more quitclaim deeds, together with any necessary access and utility

HUNTERS POINT NAVAL SHIPYARD MEMORANDUM OF AGREEMENT

easements, that serve such Parcel. The City may request Closings of parts of larger parcels of the Property to the extent that such sub-parcel is clean or otherwise suitable for conveyance. The Government shall convey the Personal Property to the City by Bill of Sale or other appropriate documentation at the First Closing for Personal Property located on the Real Property associated with the First Closing. At subsequent closings, Bills of Sale for Personal Property will similarly be executed for the Real Property associated with that closing.

Should the City and the Government agree to an early transfer of any Parcel or sub-parcel of the Property, Closing shall occur within thirty (30) days following the approval of the agreement, approval by Federal and state regulators, and the issuance of a Finding of Suitability for Early Transfer ("FOSET") for such Parcel or sub-parcel of the Property.

City's Acceptance of Property:

Following tender by the Government of title to the Property meeting the Property Conditions or as otherwise agreed by City, the City shall accept title to the Property and responsibility for protection and maintenance of such Property within 30 days.

Funding:

The Government agrees to budget for and seek funding from the Congress to complete the required remediation on Parcels B, C, D, E, and F described above and other obligations of the Government under this MOA. As described in the "Request for Proposals/Remediation Contract" section below, if the proposal selected in response to the Request for Proposals reveals that greater funding than is currently budgeted is required and a decision is made to award the contract, the Government will increase its budget request and seek appropriations accordingly.

Request For Proposals/ Remediation Contract:

1. Phase I RFP: Consistent with applicable procurement laws and regulations, the Government will issue a Phase I Request for Proposals ("RFP") by the end of November 2000. The Phase I RFP process will evaluate participating contractor qualifications for the remediation of Parcels C and D. Phase I proposals will be due in February 2001.

2. Status of Groundwater: The Government expects to receive updated regulatory determinations regarding beneficial use for groundwater on the Real Property in accordance with applicable regulatory criteria.

HUNTERS POINT NAVAL SHIPYARD MEMORANDUM OF AGREEMENT

3. Phase II RFP: Consistent with applicable procurement laws and regulations, the Government will issue a Phase II RFP during the February-April 2001 time frame, seeking technical approaches and price proposals to achieve regulatory closure and the Property Conditions. Responses to the Phase II proposals will be due 60-90 days later in any event no later than July 2001.

All available regulatory and site information will be made available to the prospective contractors at the time of issuance of the Phase II RFP, including information on the status of groundwater determinations. The Government will then request price and technical proposals based on reasonably expected regulatory determinations for groundwater on Parcels C and D.

The Phase II RFP will include (i) a requirement that the contractor achieve the Property Conditions for Parcels C and D, unless the City agrees otherwise as set forth below; (ii) a schedule for the completion of the cleanup consistent with the FFA Schedule; (iii) a requirement that contractors' bids encompass all outstanding cleanup actions on Parcels C and D at the time of the transition from the existing contractor to the fixed price contractor and assuming the expected groundwater determinations as set forth above; and (iv) a provision authorizing the contractor to develop alternative remedial proposals, which notes that implementation of any such alternative proposals will require the City's prior consent.

4. Contract Award: The Government and the City agree on the desirability of a fixed price contract for Parcels C and D. The parties acknowledge that there is a large difference in the parties' cost estimates for remediation of Parcels C and D. Nonetheless, the Government shall award a remediation contract for Parcels C and D, which includes a requirement that the contractor achieve the Property Conditions for Parcels C and D (the "Remediation Contract"), in an amount not to exceed \$120 million, provided the Contracting Officer determines that the proposal meets the requirements of the Federal Acquisition Regulations for award, including a determination that the price for the Remediation Contract is "fair and reasonable".

5. Post-Contract Award: Following execution of the Remediation Contract, the Government and the City will consider alternative proposals for remediation. If the City agrees with the alternative proposals, the City agrees to accept the property if the alternative conditions are met. If and when final regulatory determinations for groundwater on parcels C and D are made which differ from expected

HUNTERS POINT NAVAL SHIPYARD MEMORANDUM OF AGREEMENT

regulatory determinations, the government will take any necessary additional remedial actions using the most effective and appropriate contract mechanism available.

Protection & Maintenance:

The Government and the City will cooperate fully during the transition period when parcels are being conveyed to City to ensure the provision of adequate protection and maintenance services to both conveyed and non-conveyed parcels of the Real Property.

Until the conveyance to the City of Parcels A, B, C & D:

1. The Government will remain responsible for protection and maintenance in accordance with the Federal Property Management Standards for surplus property to ensure public health and safety of all or any part of the Real Property that is not leased or has not been conveyed to the City by deed or LIFOC. This MOA does not act to modify the terms and conditions of any lease between the Government and the City or any other lessee.
2. The Government will provide adequate dedicated non-exclusive protection for the Real Property, Shipyard tenants, and other authorized persons through police presence, fencing, protective signs, and other appropriate means at all times. In the event the Federal patrol is called off-site, a backup will be summoned and dispatched to the Real Property as soon as possible. The Government will maintain exterior perimeter fencing on Federal property to ensure that all principal traffic is directed through one main gate. The Government will also ensure that Shipyard tenants, workers and visitors are properly protected from areas that are hazardous, including environmental restoration areas.
3. The Government will provide adequate dedicated exclusive fire protection services to the Real Property capable of effective first response for any Shipyard fire or related emergency at all times.
4. The Government will enforce appropriately its leases and contracts at the Shipyard, including tenant obligations for care and maintenance, and those agreements related to contractors engaged in environmental remediation.
5. The Government will ensure that Federally-owned utilities are adequate to protect public health and safety.

**HUNTERS POINT NAVAL SHIPYARD
MEMORANDUM OF AGREEMENT**

6. The Government will fulfill its obligations under ongoing contracts and leases.

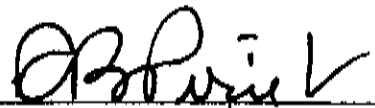
7. The Government will provide knowledgeable caretaker staff empowered to address and resolve maintenance issues. This staff will be readily accessible during normal working hours and will be on call after hours for emergencies.

The City will assume responsibility for the protection and maintenance of all or any part of the Real Property that has been conveyed to the City by deed or, to the extent agreed upon by the Navy and the City, by LIFOC.

Within 30 days of execution of this MOA, the Government and the City will meet in good faith to clarify specific levels of maintenance to be incorporated in the Conveyance Agreement and existing leases between the Government and the City.


APPROVED:

THE UNITED STATES OF AMERICA


Robert B. Pirie, Jr.
Under Secretary of the Navy

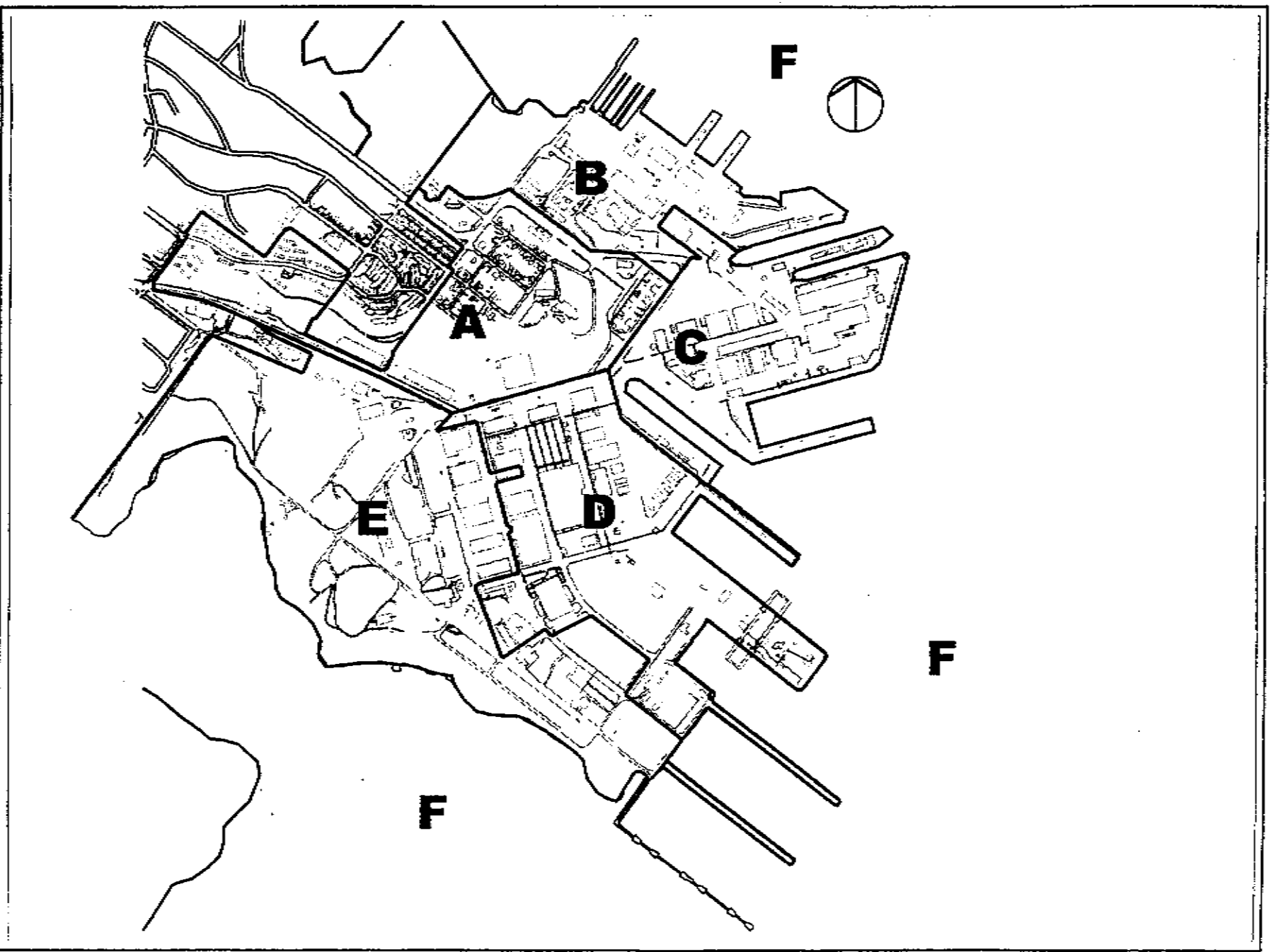
Date: 11/2/00

CITY AND COUNTY OF SAN FRANCISCO


Willie L. Brown,
Mayor of the City of San Francisco

Date: _____

EXHIBIT A



APPENDIX B

SCHEDULE FOR APPROVAL OF COMPREHENSIVE CONVEYANCE AGREEMENT AND CONVEYANCE OF PARCEL A

The Parties agree to complete the following actions by the date specified:

ACTIVITY	TARGET SCHEDULE
Draft and negotiate Conveyance Agreement	February 15, 2002
Complete Conveyance Agreement Exhibits <i>(e.g. title, mapping, Parcel A deed, Utility Agreement, model deeds for remaining parcels, Parcel B LUCs)</i>	April 1, 2002
Complete additional tasks necessary for conveyance of Parcel A <i>(e.g. finalize environmental due diligence, including Parcel E landfill and associated adjacency issues, finalize insurance, resolve State Lands issues)</i>	April 1, 2002
Carry out community outreach process <i>(e.g. community workshops as determined by the community process; preparation of General Plan/Planning Code amendments as needed for General Plan consistency determination and related staff reports)</i>	Early May 2002
Obtain City approvals <i>(public notices, hearings and approval actions by Planning Commission, Redevelopment Agency Commission, and Board of Supervisors, including committees.)</i>	Make best efforts to achieve by June 1, 2002